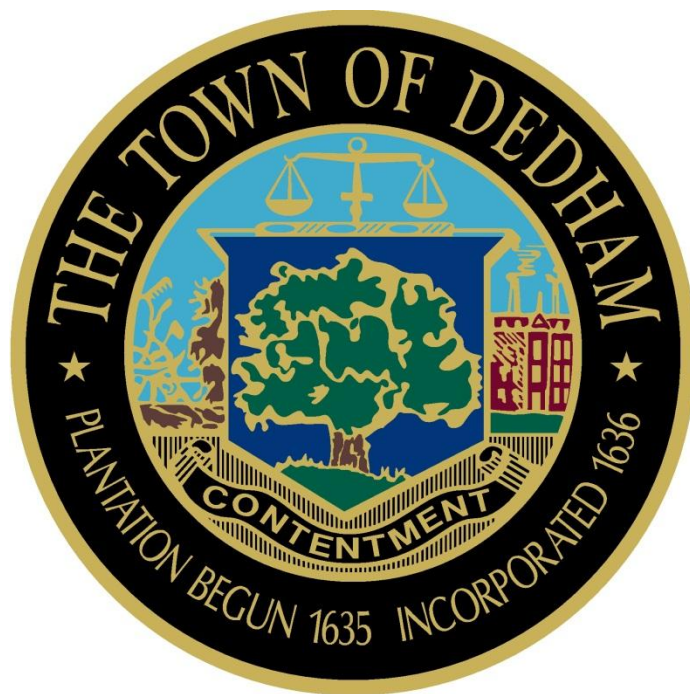


Town of Dedham Standard & Poor's Update May 16, 2013



A Strong and Sustainable Future

Team Dedham

- **Town of Dedham**

- William Keegan, Town Administrator
- Nancy Baker, Assistant Town Administrator
- Karen O'Connell, Economic Development Director
- Richard McCarthy, Town Planner
- Mariellen Murphy, Finance Director
- William Ralph, Assistant Director of Finance, Acting Collector
- Donna Bowse, Acting Treasurer
- Susan Shaw, Town Accountant
- Chris Howell, Financial Analyst

- **Roselli, Clark and Associates**

- Tony Roselli, CPA

- **UniBank Fiscal Advisory Services**

- Lynne Foster

Agenda

- Recent Investments
- FY2012 Audit Results
- FY2013 Forecast
- Budgetary Flexibility
- Recent Accomplishments
 - Municipal Health Insurance Reform Completed
 - OPEB Funding
 - Updated Financial Policies
 - 10-Year Publication of Selected Accomplishments
 - Economic Development
- Status of Major Projects
- FY2014 Budget
 - Initiatives
 - Human Resources Department
 - Strategic Plan for Information Technology
- Proposed Debt Issue Purposes

Recent Investments

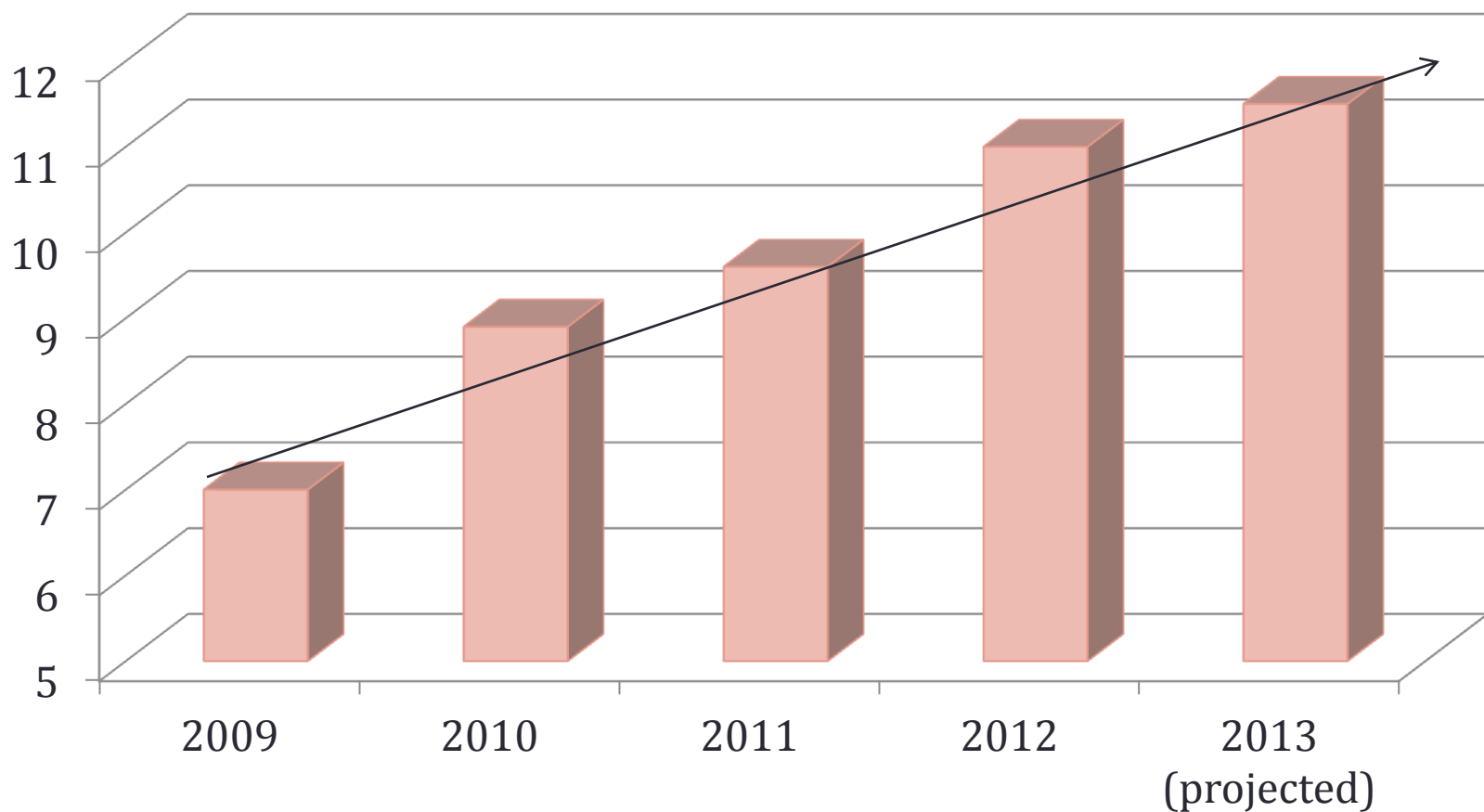


FY2012 Audit Results

- Inaugural CAFR completed, will become an annual endeavor
 - MGFOA Certificate of Achievement process in progress
 - Attains long-term goal of the community
- Independent Auditor's Report: Clean opinion on Financial Statements
- Unassigned Fund Balance
 - Under new GASB 54 equals Undesignated Fund Balance (GAAP basis) plus uncommitted Stabilization Fund Balances
 - Reported in the General Fund
 - Statistical section of the CAFR on page 97 illustrates what Unassigned Fund balance would have been had GASB 54 been in effect for all years presented
 - **Increasing** trend is dramatic and plays directly into the Town's financial philosophy over the past 5 years
 - Conservative revenue forecasts , vigilant budget management and fiscal restraint have contributed to this trend
 - **Goal** is to maintain a reserve ratio at or near **10% of revenues** (achieved in each of the last 3 fiscal years and projected into 2013 and beyond)
 - Provides a tremendous amount of **liquidity**

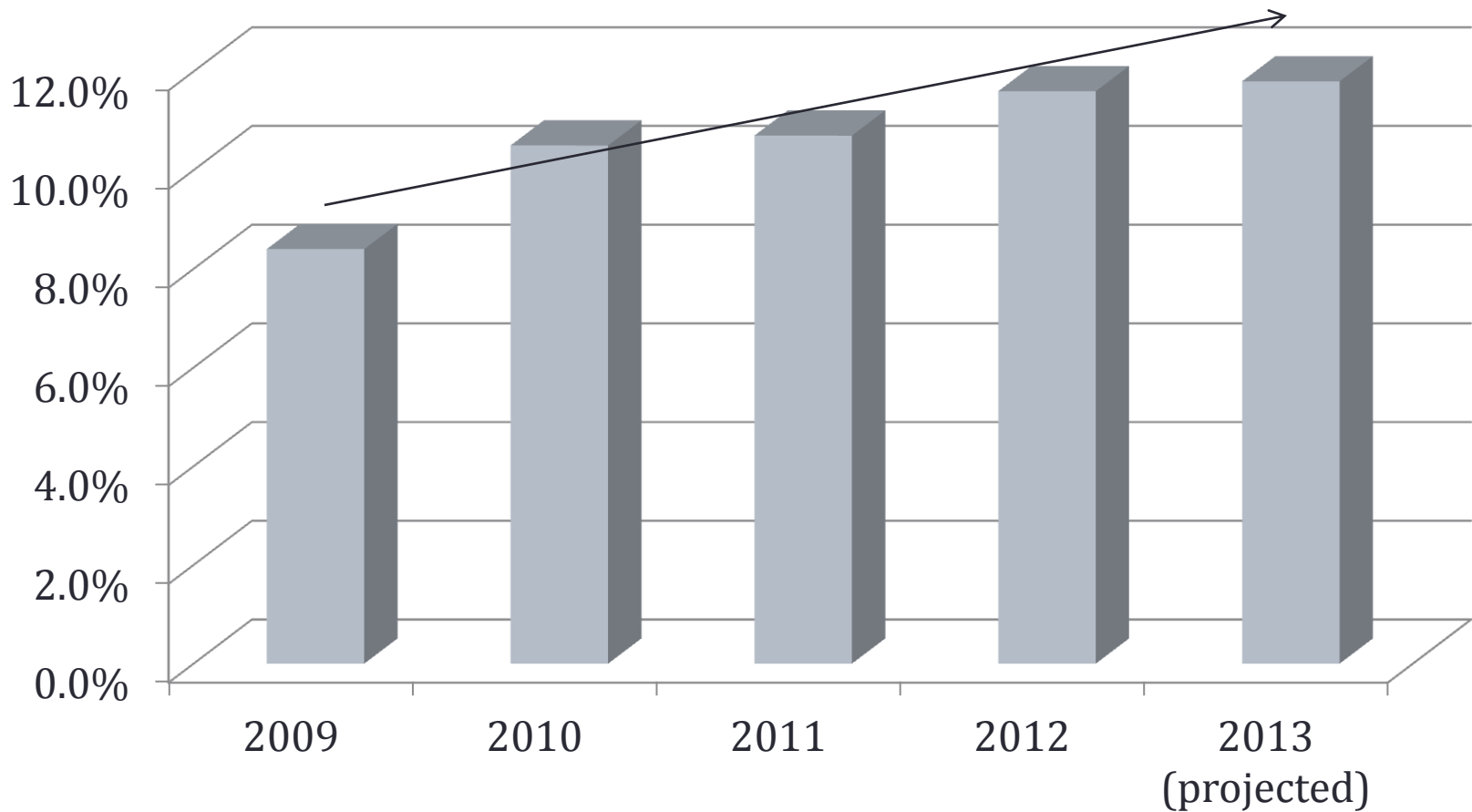
FY2012 Audit Results - continued

Unassigned Fund Balance (in millions)



FY2012 Audit Results - continued

Reserve Ratio (Liquidity)



FY2012 Audit Results, continued

- Net assets increased \$15.6 million to \$110.8 million, primarily a result of:
 - Revenues exceeding forecasts (\$2.5 million)
 - Expenditures less than budget (\$1.7 million)
 - Capital activity (\$8.7 million)
 - Sewer Enterprise (\$2.7 million)
- \$21.2 million in capital expenditures for continued School Construction, Infrastructure, Building Improvements, and Machinery & Equipment – voter approved debt exclusion
- New Avery deficit fund balance result of a timing issue
 - Budgetary authorization is adequate, building fully operational

FY2012 Audit Results, continued

- Sewer Enterprise Fund

- Converted to Enterprise Fund in 2010
- Self-Supporting
- Cash basis fund balance \$3.2 million (58% of budget)
- Significant investment in infrastructure over past 10 years; Annual program of \$1 million investment in improvements
- System has been refurbished and is very tight
- New growth in capacity contributed to positive operating results, stable rates since FY2008

FY2012 Audit Results, continued

- Stabilization Funds
 - General Stabilization
 - ❑ \$4.4 million
 - ❑ Reported as part of Unassigned Fund Balance in General Fund
 - ❑ Financial Policy to maintain 5% - 10% of budget
 - Mitigation Fund
 - ❑ \$744,000
 - ❑ Reported as Unassigned Fund Balance in General Fund
 - ❑ Target for Downtown Planning, DPW Sweeper, Dropout Prevention, and Economic Development
 - Major Capital Facilities Stabilization Fund (see dedicated slide)
 - ❑ \$2.6 million (\$3.5 million as of March 2013)
 - ❑ Reported as Committed Fund Balance in General Fund
 - ❑ Target building projects and debt service
 - OPEB (see dedicated slide)
 - ❑ \$3.2 million (\$4.8 million as 2013, \$6.4 million as of 2014)
 - ❑ Reported as a Fiduciary Fund
 - ❑ Target to fund Unfunded Post Employment Benefit Costs

FY 2012 Audit Results, Major Capital Facilities Stabilization Fund

- 2010 Town Meeting dedicated option taxes to new fund
 - Additional 2% Hotel/Motel excise and .75% Local Option Meals taxes
 - Recent average quarterly revenue, \$293,563
- Revenues to be used for building projects and debt service to limit the need for debt exclusions

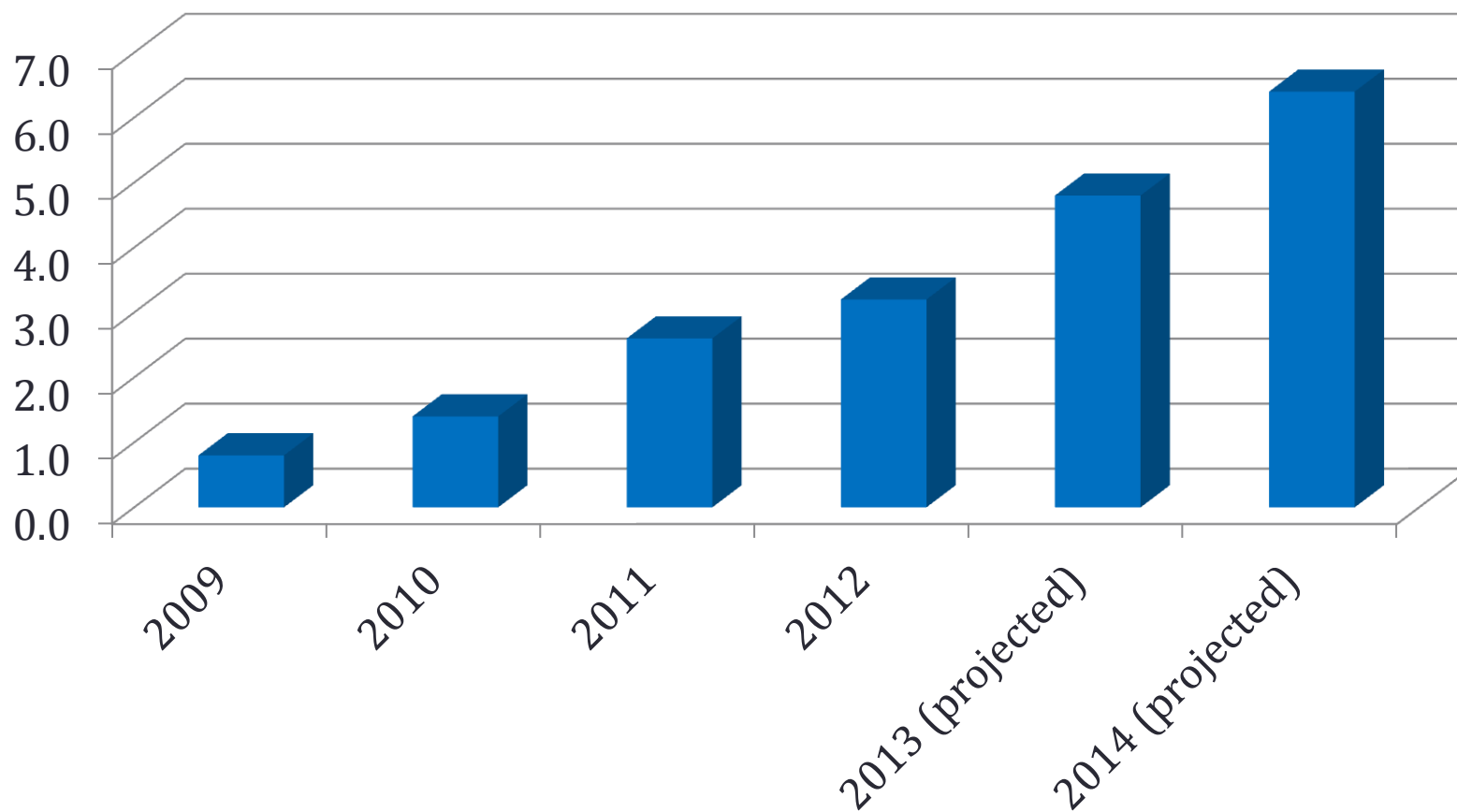
	Local Meals	Hotel/Motel	Total
FY10 (Q2-Q4)	\$300,745	\$86,429	\$387,174
FY11	\$697,114	\$315,208	\$1,012,322
FY12	\$821,965	\$354,169	\$1,176,134
FY13 (Q1-Q3)	\$616,489	\$298,623	\$915,112
	\$2,436,313	\$1,054,429	\$3,490,742
Annual Trailing	\$825,156	\$368,179	\$1,193,335

FY2012 Audit Results - OPEB

- Philosophy to have sustainable budget by **managing and reducing long-term liabilities**
- FY2013 full funding of ARC
- FY2014 fully funding ARC, plus small portion of FY2012 ARC
 - ARC funding is now an annually recurring budgetary item
- Board of Selectmen developed funding policy
 - ARC to be fully funded as calculated in actuarial valuation
 - Municipal Health Insurance Reform savings dedicated to OPEB
- Unfunded liability at 4.1% funding as of latest valuation
- Aggressive policy reduced unfunded liability from \$112.6 million in 2009 to \$77.7 million in 2012
- OPEB Stabilization Fund balance \$3.2 million as of 6/30/12
 - FY2013, \$1.7m; FY2014 budget, \$1.8m
 - Fund balance will more than double in two years
- OPEB Commission legislation could further impact health insurance eligibility. Present contribution rate is 50% for all retirees over 65.

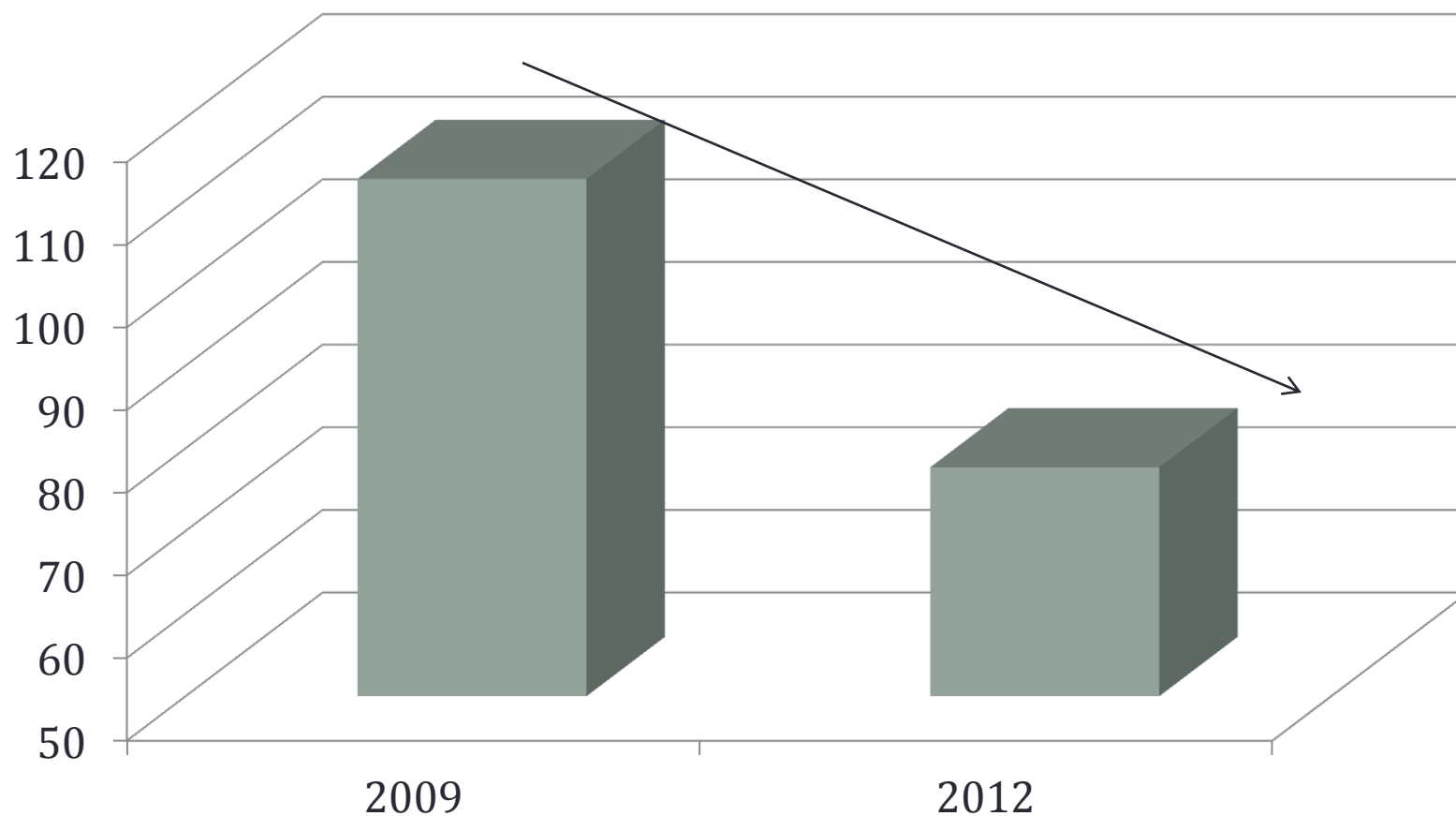
FY2012 Audit Results - OPEB

Fund Balance (in millions)



FY2012 Audit Results - OPEB

Unfunded Liability (in millions)



FY2012 Audit Results - Pensions

- Philosophy to have sustainable budget by **managing and reducing long-term liabilities**
- Stand-alone Retirement System, investments in PRIT
- 79% funded as June 30, 2012
- Top 10 ranked in the Commonwealth
- Retirement amortization extended to 2026, though statutorily allowable to extend to 2040 – provides **budgetary flexibility**
 - FY2014 budget increasing pension contribution \$500,000
- \$94 million value of assets as of 3/30/13; Increase of \$10 million since 6/30/12
- Next valuation should place the system at or over 85% funded barring market downturn

FY2013 Forecast

- Revenues

- 71% budgeted revenues collected through 8 months, on pace with FY12
- Conservative revenue budget, higher new tax growth than original forecast permitted this trend
- Sewer revenue actual collections to date lower than last year; Unable to lien until 4th quarter, timing issue only. On accrual basis should see no difference

- Expenditures

- 56% of operating budget expended through 8 months (60% in FY2012)
- High Snow & Ice costs, funding \$570,000 shortfall; No carryover
- All other expenditures projected to be within overall budget

Budgetary Flexibility

- One of the Town's goals is to maintain long-range financial policies and practices to maintain services and budgetary flexibility
- Responsible budgetary actions have created flexibility in the budget, demonstrated in the following areas:
 - Conservative revenue estimates
 - Pensions: Refrained from extending funding schedule to maximum allowed
 - OPEB and Capital

Accomplishments & Initiatives

- Accomplishments
 - Municipal Health Insurance Reform
 - Other Post-Employment Benefits (OPEB) Funding
 - Revised and Expanded Financial Policies
- Ongoing Initiatives
 - Economic Development
 - Charter Advisory Committee
 - Implementing Public Safety Study Recommendations
 - MSBA Invite for Early Childhood Education Center Eligibility Period
 - Evaluating Town-wide Building Initiative on Rustcraft Road

Municipal Health Insurance Reform

- First year (FY2013) with WSHG Rate Saver Plans - \$484,445 in mitigation fund on employees behalf was allocated – overall “savings/cost avoidance” \$1.7 million
- As of April 1, \$6,275 (1.3%) of mitigation funds distributed, appears to be sufficient for the long term
- Allowed Town to address OPEB issue without impacting other budgets
- Mitigation included:
 - Health Reimbursement Accounts for some hospital copays and out-of-pocket expenses exceeding 3% of pay;
 - Introduced Flexible Spending and Dependent Care Accounts, Town covering administrative costs

Financial Policies

- Financial Policies Committee
 - Established by Board of Selectmen to update the Town's four Financial Policies (Financial Management; Debt; Investment; and documentation of Capital Budgeting Process)
 - Revisions endorsed by Finance Committee, School Committee, Board of Selectmen, Town Administrator, and Finance officers. Policies will be published in annual report.
- Initiative to redefine operating capital expenses
- Policy on expenditure of Major Capital Facilities funds adopted
- Sustainability – not kicking the can down the road – major focus

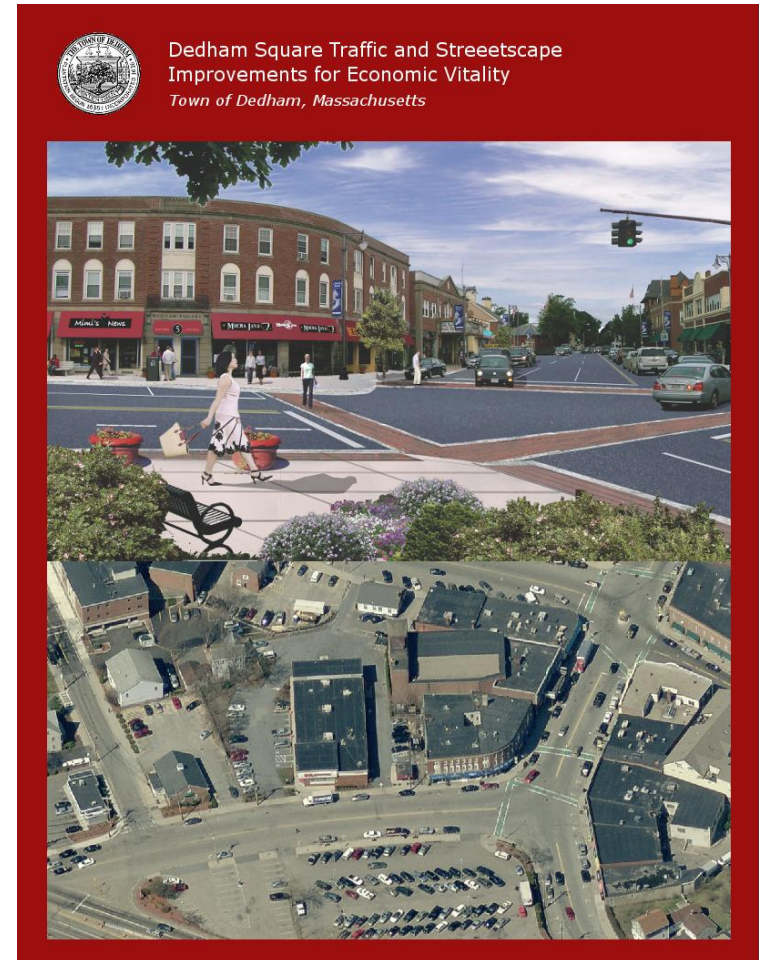
Collective Bargaining

- All Collective Bargaining Agreements expired June 30, 2012
- School teachers contract settled, annual increases of 1%, 1.5%, 2.5%, testing requirements still open
- Town agreements are in negotiation
- Town Budgets includes Salary Reserve of 1% for FY13 and 1.5% for FY14
- No major labor challenges pending

Economic Development

Dedham Square Project

- First Dedham PDS (Priority Development Site) under Chapter 43D in area
- Smart growth project
- Connects public infrastructure with economic development, all with a green component
- \$4.8 million of this Bond Issue

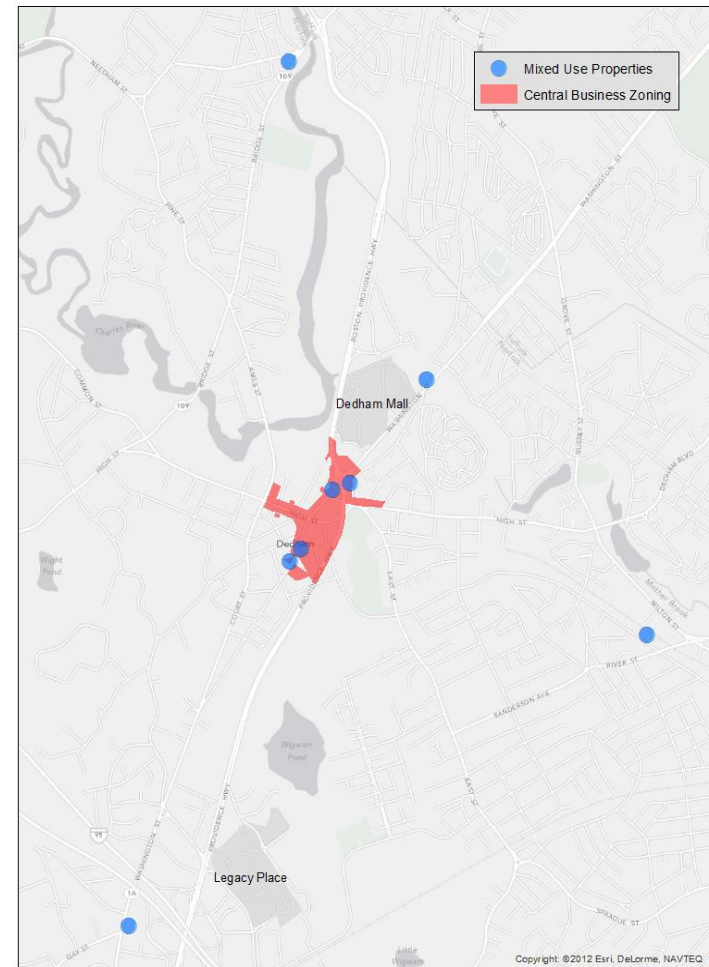


Mixed Use Development Trend

Examples include:

- 125 Washington Street, 42 units
\$402,300 predevelopment value
\$4,600,000 value now
- 420 Washington Street, 26 units
\$483,000 predevelopment value
\$4,882,500 value now
- 439 Washington Street, 10 units
\$167,100 predevelopment value
\$1,613,900 value now

Other pending projects



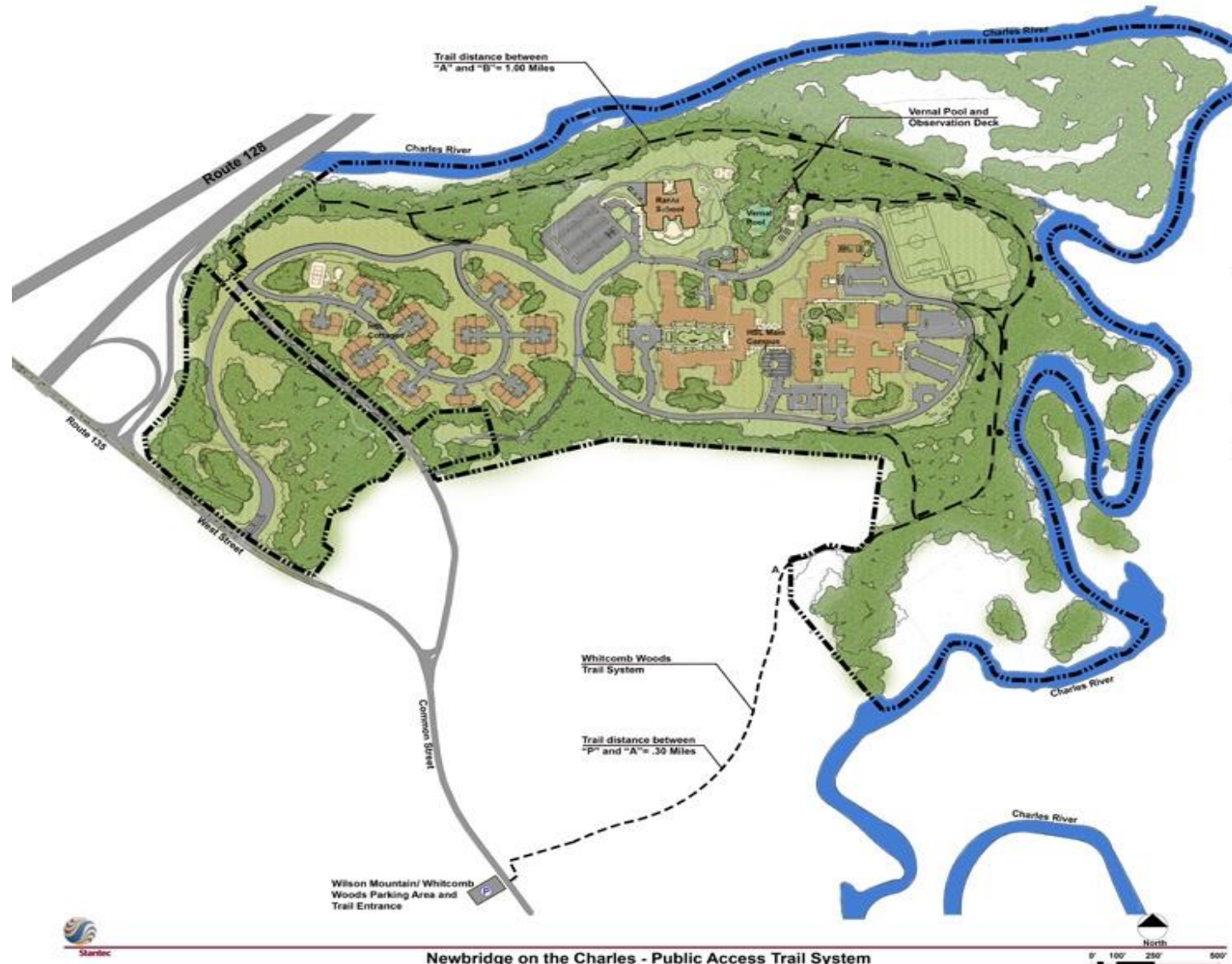
Over \$10 million increase

Legacy Place, Project Overview

Gold Medal Winner, Innovative Design & Development, from International Council of Shopping Centers



NewBridge On the Charles, HSL



NewBridge On the Charles, HSL

- 162 acre campus, assessed valuation \$90 million
- Innovative green technology, largest geothermal well heating & cooling system in Northeast



Charter Advisory Committee

- Created by Board of Selectmen, seven appointed citizens
- Comprehensive review of Town organization and structure per 2009 Master Plan
- Recommendations planned for 2014 Annual Town Meeting
- Prior Charter Commissions in 1973 and 1993
- Moving to a stronger form of central administrative authority

Status of Major Projects

- Both New Avery Elementary and Athletic Field in final stages of close out
- Roads and Sewers progressing consistent with Pavement Management and Inflow/Infiltration plans
- 434 Washington Street acquired, in use as construction management headquarters for Dedham Square project – available for expansion
- Dedham Square construction began April 2012
 - On schedule, on budget, with an estimated completion of November 2013
 - Favorable reaction to completed improvements; constant communication with community via website, Facebook, Twitter
- Energy Savings Project
 - Generated \$454,541 in FY2012 savings
 - Moving from construction phase to measurement and verification, should generate additional savings in FY2013
 - Phase II on hold: \$6.1m authorized, \$1.3m remaining unissued

FY2014 Budget

- Focus on sustainability in annual budget process
 - Evaluation of community's ability to pay relative to service levels
 - Implemented Service-Level budget process for FY2014
 - Performance Budgeting under consideration for FY2015
- Finance Committee recommended total budget of \$102 million
 - Balanced budget, projecting level funded State Aid
 - \$97.1 million excluding State Assessments and Reserve for Abatements
 - Conservative estimates for new growth, \$500,000
 - Town Meeting next Monday, May 20
- Budget expected to be submitted for GFOA Distinguished Budget Award following Town Meeting approval, document in preparation

FY2014 Operating Budget

- \$87.9 million, increase of \$2.26 million (2.6%)
- Primary drivers:
 - Funding for Facilities Department operations: 7% increase, \$329,724
 - Health Insurance: 4% increase, \$408,325
 - Pensions: 14% increase, \$491,350
 - School Department increase of 1.97%, \$694,370
- New initiatives
 - OPEB contribution to fully fund ARC
 - Creation of Human Resources Department
 - Local Bus Service shifted to in-house operating department
 - Parks & Recreation and Endicott Estate increasingly self-supporting through program revenues
 - Consolidating heavy equipment maintenance function for DPW & Fire
 - Additional funding in Police Department for federal Drug Task Force

FY2014 Capital Budget

- Budget proposed at \$5.5 million, including:
 - Roads & Sidewalks: \$2 million
 - Sewer and Inflow/Infiltration: \$1.4 million
 - Facilities: \$669,000 (Boiler, rooftop units, general improvements)
 - Technology: \$525,000 for equipment & infrastructure, \$125,000 for long-term, comprehensive Strategic Plan
- Funding sources:
 - Borrowing: \$2.605 million for roads and sidewalks, facilities, vehicles
 - Sewer Revenue: \$1.45 million
 - Free Cash: \$1.05 million
 - Transferred appropriations: \$427,000
- Facilities Director preparing comprehensive evaluation of buildings for 2014 Annual Town Meeting

Purpose of Debt Issue

- \$6,988,000 Debt Issue Proposed
 - \$4,800,000 for Dedham Square Improvements
 - \$2,000,000 for Roads & Sidewalks
 - \$188,000 for Roofs
- Debt Service on this bond issue has been provided for in the FY2014 budget with conservative interest assumptions

SUMMARY

- The Town of Dedham continues to maintain a strong financial position
- The Town's goals are:
 - Maintain adequate reserves to provide sufficient **liquidity**
 - Continue budget practices to maintain services at **sustainable** costs
 - Continue to maintain a philosophy of **budgetary flexibility**
 - Continue to **manage and reduce long-term liabilities**
- The Town has managed the national and local recessions without a reduction in major services
- The Town has implemented strategies to fund Pension and OPEB, Roads and Sewers, and other major capital improvements
- The Town has established a Major Capital Facilities Stabilization Fund to specifically address building needs